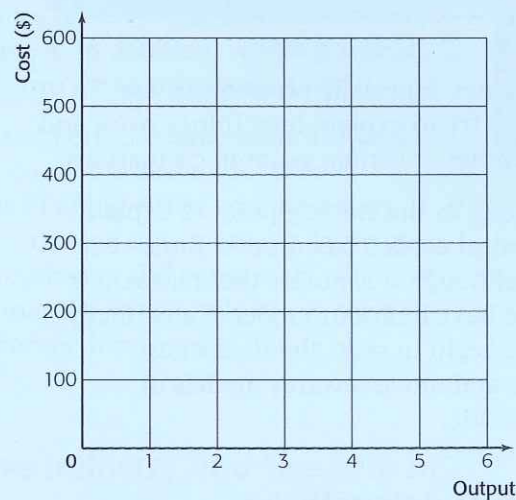


HL paper 3 question

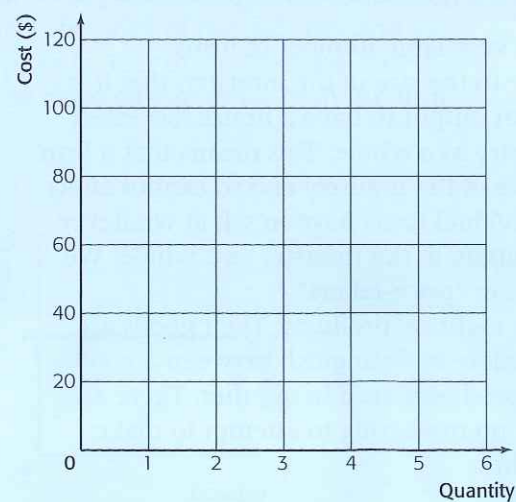
The total cost information for a firm, in dollars (\$), is given in the table below:

Output (q)	Total cost (TC)	Total fixed cost (TFC)	Total variable cost (TVC)	Average fixed cost (AFC)	Average variable cost (AVC)	Average total cost (ATC)	Marginal cost (MC)
0	40			—			
1	90			40			
2	130			20			
3	160			13.33			
4	200			10			
5	250			8			
6	320			6.67			

- a Complete the cost information in the table above for all levels of output. [9]
 b Explain why the AFC values fall as output increases. [4]
 c On the graph below plot and label TFC, TVC and TC. [4]



- d On the graph below plot and label MC, AVC and ATC. [4]



- e Explain the theory that accounts for the shape of the three curves in the graph above (in question d). [4]